

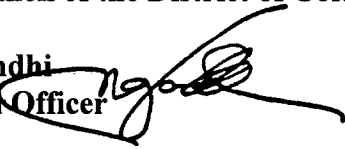
Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: May 21, 2009

SUBJECT: Fiscal Impact Statement – “Park Place at Petworth, Highland Park and Highland Park Phase II Economic Development Act of 2009”

REFERENCE: Bill Number 18-231, As Introduced

Conclusion

Funds are not sufficient in the proposed FY 2010 through FY 2013 budget and financial plan to implement the proposed legislation. The proposed legislation would reduce property tax collections by \$620,000 in FY 2010 and by approximately \$2.3 million over the FY 2010 through FY 2013 financial planning period.

Implementation of the proposed legislation is subject to the inclusion of its fiscal effect in an approved budget and financial plan.

Background

The proposed legislation would amend Chapter 46 of Title 47 of the D.C. Official Code to exempt from real property taxation the following properties: Park Place at Petworth project, located in Square 2900, Lot 44¹; the Highland Park project, located in Square 2672, Lot 884 (part of Lot 717); and the Highland Park Phase II project, located in Square 2672, Lot 726 (hereafter the “Projects”).² The Projects would be exempt from real property taxation for 20 consecutive years, the first ten years at 100 percent with the tax liability increasing 10 percent per year in

¹ It is assumed Lots 820, 821, and 822 in Square 2900 will be combined to create Lot 44.

² The “Park Place at Petworth, Highland Park and Highland Park Phase II projects” are residential and retail projects located at 850 Quincy Street, N.W. and the southwest corner of Irving Street and 14th Street, N.W. and 1444 Irving Street, N.W.

years 11 through 20 until the annual real property taxation equals 100 percent. If enacted, the real property tax exemption offered by the proposed legislation would not supplant any other tax relief or assistance offered to the Projects; nor would it prevent or restrict the Developer from utilizing any other tax, development, or economic incentive available to the Projects.

The Park Place at Petworth project and the Highland Park project are both mixed-use projects that include market-rate and affordable housing units, retail space, and a below-grade parking garage.³ The Highland Park Phase II project is a residential development project that includes 69 residential units, a portion of which will be affordable housing units, and a community based residential facility.⁴

Financial Plan Impact

Funds are not sufficient in the proposed FY 2010 through FY 2013 budget and financial plan to implement the proposed legislation. The proposed legislation would reduce property tax collections by \$620,217 in FY 2010 and by approximately \$2.3 million over the FY 2010 through FY 2013 financial planning period. The table below presents the detailed calculation of the fiscal impact of Bill Number 18-231.

Estimated Fiscal Impact FY 2010 - FY 2013 Budget and Financial Plan					
	FY 2010	FY 2011^a	FY 2012^a	FY 2013^a	Total
Total Assessed Value ^b	\$67,884,430	\$64,490,209	\$61,265,698	\$58,202,413	\$251,842,750
Tax Liability ^c	\$620,217	\$589,206	\$559,746	\$531,759	\$2,300,928
Total Negative Fiscal Impact	\$620,217	\$589,206	\$559,746	\$531,759	\$2,300,928

^a The value of the property is expected to decline by 5 percent in FY 2011, FY 2012, and FY 2013.

^b All Lots are currently classified as Residential Property (Class 1). However, at the completion of the project, which is expected in FY 2010, 11 percent of the Park Place Project, 8 percent of the Highland Park project and 9 percent of Highland Park Phase II are expected to be reclassified as Commercial and taxed at a rate of \$.85 for every \$100 of the assessed value

^c; Residential portions of these projects are taxed at and taxed at a rate of \$.85 for every \$100 of the assessed value. Retail portions are taxed at the commercial property rate of \$1.65/\$100 for the first \$3 million of value and at \$1.85/\$100 of assessed value above \$3 million.

³ The Park Place at Petworth project is a 156,000 square foot development project, which includes approximately 138,899 residential square feet (161 residential units) and 17,200 square feet of retail space. Of the residential portion of the project, a minimum of 27,780 square feet will be devoted to affordable housing. The units will be affordable to those with incomes at 30 percent, 50 percent, and 60 percent of Area Median Income (AMI) for the Washington DC Metropolitan Statistical Area. The Highland Park project includes 229 residential units, totaling 206,490 square feet, and 17,069 square feet of retail. Of the residential portion of the project, a minimum of 41,298 square feet will be devoted to affordable housing, and units will be affordable to those with incomes at 30 percent, 60 percent, and 80 percent of AMI.

⁴ Approximately 12,644 square feet will be devoted to affordable housing and affordable to households with incomes at 30 percent, 60 percent, and 80 percent of AMI for the Washington DC Metropolitan Statistical Area. The community based residential facility includes 82 beds and approximately 26,429 gross square feet.

Additionally, the proposed legislation would continue to have a fiscal impact beyond the financial plan period. Through 2019, the legislation would fully exempt these properties from real property taxes, and between 2020 and 2028, the real property tax payments will gradually increase until the owners of these properties are fully liable for the real property taxes in FY 2029. Between FY 2014 and FY 2028, the proposed legislation would reduce the property tax collections by an additional \$6.2 million, bringing the total reduction in revenues to \$8.5 million.

Estimated Fiscal Impact FY 2014 – FY 2028*		
Year	Annual Fiscal Impact	Cumulative Fiscal Impact
FY 2014	\$536,749	\$2,837,676
FY 2015	\$536,749	\$3,374,425
FY 2016	\$547,484	\$3,921,908
FY 2017	\$558,433	\$4,480,342
FY 2018	\$569,602	\$5,049,944
FY 2019	\$580,994	\$5,630,938
FY 2020	\$538,393	\$6,169,331
FY 2021	\$488,239	\$6,657,570
FY 2022	\$435,837	\$7,093,407
FY 2023	\$381,118	\$7,474,525
FY 2024	\$324,011	\$7,798,536
FY 2025	\$264,441	\$8,062,976
FY 2026	\$202,333	\$8,265,310
FY 2027	\$137,610	\$8,402,920
FY 2028	\$70,193	\$8,473,113
Total for FY 2014 to FY 2028	\$6,172,186	

* The calculations assume the property values will remain constant through FY 2015 and then grow by approximately 3 percent annually on average.